

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 1712

INFO ALL EC CAPITALS 2415

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: EC CROP ESTIMATES FOR 1976

REF: (A) EC BRUSSELS 7382, (B) EC BRUSSELS 5758, (C) TOFAS 251,
(D) STATE 194278

1. SUMMARY. ESTIMATES OF 1976 EC CROP PRODUCTION OBTAINED FROM THE COMMISSION'S GRAIN DIVISION AND A SPECIAL GROUP SET UP TO EXAMINE THE EFFECTS OF THE DROUGHT ARE IN LINE WITH THE RECENT FAS ESTIMATE OF TOTAL GRAIN PRODUCTION OF 93 MILLION TONS. SOFT WHEAT PRODUCTION IS EXPECTED TO BE ABOVE LAST YEAR'S LEVEL WHILE BARLEY AND CORN PRODUCTION ARE EXPECTED TO BE SIGNIFICANTLY BELOW THE 1976 LEVELS. CONSEQUENTLY, FEED GRAIN IMPORTS ARE EXPECTED TO INCREASE SUBSTANTIALLY. DURUM WHEAT PRODUCTION IS EXPECTED TO BE ABOUT THE SAME AS LAST YEAR AND THE EC WILL AGAIN FACE A MAJOR SURPLUS DISPOSAL PROBLEM WITH THIS PRODUCT. DESPITE THE DROUGHT, MILK DELIVERIES ARE EXPECTED TO BE 1.7 PERCENT ABOVE 1976.
END SUMMARY.

2. WE HAVE OBTAINED THE LATEST SUPPLY AND DEMAND BALANCES
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DEVELOPED BY THE COMMISSION'S GRAIN DIVISION FOR THE 1976/77

CROP YEAR FOR SOFT WHEAT, BARLEY, CORN, DURUM WHEAT, SORGHUM, AND RYE. COMMISSION OFFICIALS WARN THAT THESE BALANCES ARE STILL QUITE PRELIMINARY; HOWEVER, THEY DO NOT EXPECT FURTHER ESTIMATES TO BE MADE UNTIL SEPTEMBER. SALIENT FEATURES OF THESE BALANCES (WHICH CAN BE REGARDED AS UNCLASSIFIED) ARE DISCUSSED IN THE FOLLOWING PARAGRAPHS. THE COMPLETE BALANCES WERE TRANSMITTED BY TOFAS 251. WE HAVE ALSO OBTAINED, ON A CONFIDENTIAL BASIS, SOME ESTIMATES OF EC AGRICULTURAL PRODUCTION IN 1976 PULLED TOGETHER BY A SPECIAL GROUP SET UP TO EXAMINE THE EFFECTS OF THE DROUGHT. WE WILL TRANSMIT BY SEPTTEL OUR ASSESSMENT OF THE POLICY IMPLICATIONS OF THE DROUGHT (REFTEL D).

3. COMMISSION GRAIN BALANCES. THE RANGES IN THE FOLLOWING SUBPARAGRAPHS ARE COMPOSED OF THE AGGREGATES OF THE MEMBER STATE ESTIMATES (FIRST NUMBER) AND THE COMMISSION ESTIMATE (SECOND NUMBER). WHERE ONLY ONE NUMBER IS GIVEN, IT IS THE MEMBER STATE ESTIMATE. THE 1975/76 FIGURES USED FOR COMPARISON ARE THOSE DEVELOPED BY THE COMMISSION IN MID-MAY (REF.B). THEY HAVE NOT SINCE BEEN UPDATED.

A. SOFT WHEAT. 1976 PRODUCTION IS NOW ESTIMATED BY 34.5-35.5 MILLIONS TONS AS COMPARED WITH 33.7 MILLION TONS IN 1975. DESPITE THE INCREASE IN PRODUCTION, 1976/77 EXPORTS (INCLUDING FOOD AID AND THE WHEAT EQUIVALENT OF FLOUR EXPORTS) ARE ESTIMATED AT ONLY 3.4-5.3 MILLION TONS AS COMPARED WITH ABOUT 7-8 MILLION TONS IN 1975/76. THE PREDICTED SHARP DECLINE IN EXPORTS RESULTS FROM THE LOWER BEGINNING STOCKS THIS YEAR (4.9-5.5 MILLION TONS AS COMPARED TO 8.3 MILLION TONS IN 1975) AND AN ANTICIPATED INCREASE IN THE FEED USE OF WHEAT FROM 4.3 TO 6.2-6.5 MILLION TONS. IMPORTS OF SOFT WHEAT ARE EXPECTED TO BE ABOUT THE SAME AS LAST YEAR (5 MILLION TONS).

B. BARLEY. 1976 PRODUCTION IS ESTIMATED AT 29.4-30.0 MILLION TONS AS COMPARED WITH 32 MILLION TONS IN 1975. IMPORTS OF BARLEY ARE EXPECTED TO BE UP SOMEWHAT IN 1976/77 (2.0-2.3 MILLION TONS AS COMPARED WITH 1.5 LAST YEAR); EXPORTS ARE EXPECTED TO BE NEGLIGIBLE (2.3 MILLION TONS LAST YEAR).

C. CORN. 1976 PRODUCTION IS ESTIMATED AT 12.2 MILLION TONS LIMITED OFFICIAL USE

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AS COMPARED WITH 14 MILLION TONS IN 1975/76. IMPORTS ARE ESTIMATED AT 15 MILLION TONS FOR 1976/77. THE COMMISSION'S EARLIER ESTIMATES OF 1975/76 CORN IMPORTS (ABOUT 12 MILLION TONS) HAVE BEEN RENDERED OBSOLETE BY THE LARGE IMPORTS WHICH TOOK PLACE IN JUNE AND JULY; LAST YEAR'S IMPORTS ARE NOW THOUGHT TO BE 13-14 MILLION TONS.

D.DURUM WHEAT. PRODUCTION IS EXPECTED TO BE 4.1 MILLION

TONS--ABOUT THE SAME AS LAST YEAR. BEGINNING STOCKS ARE SAID TO BE 1.3 MILLION TONS (ABOUT 800,000 TONS ABOVE "NORMAL"). IMPORTS ARE EXPECTED TO REMAIN AT LAST YEAR'S LEVEL OF 1 MILLION TONS IN 1976/77. THUS, THE EC WILL AGAIN FACE A MAJOR SURPLUS PROBLEM WITH DURUM WHEAT THIS YEAR; 1976/77 EXPORTS ARE ESTIMATED AT 400,000 TONS; ENDING STOCKS AT 1.7 MILLION TONS.

E. OTHER GRAINS. 1976 PRODUCTION OF RYE IS ESTIMATED AT 2.7 MILLION TONS, DOWN SLIGHTLY FROM LAST YEAR. IMPORTS OF SORGHUM ARE EXPECTED TO BE ALMOST AS HIGH AS LAST YEAR.

4. DROUGHT GROUP--GRAINS. FOR THE MOST PART, THE DROUGHT GROUP USES THE ESTIMATES MADE BY THE COMMISSION'S GRAIN DIVISION AND DISCUSSED IN THE PREVIOUS PARAGRAPH. HOWEVER, THEY ALSO USE ESTIMATES OF THE "COMMODITIES CORPORATION" (CCI--APPARENTLY A CONSULTING FIRM). THIS ORGANIZATION ESTIMATES TOTAL WHEAT PRODUCTION AT ABOUT THE SAME LEVEL AS THE COMMISSION (40 MILLION TONS). IT ESTIMATES BARLEY PRODUCTION, ON THE OTHER HAND, AT ONLY 29.5 MILLION TONS AND CORN PRODUCTION AT 11.7 MILLION TONS. THE ESTIMATE FOR CORN IS BASED ON PRODUCTION OF 6.2 MILLION TONS IN FRANCE AND 5 MILLION TONS IN ITALY. THE DROUGHT GROUP NOTES THAT THE ESTIMATE OF THE CCI IS PROBABLY MORE REALISTIC-- ESPECIALLY IN VIEW OF THE FACT THAT FRENCH PRODUCERS HAVE RECENTLY STATED THEIR EXPECTATION THAT CORN PRODUCTION WILL FALL WITHIN A RANGE OF 5 TO 6.5 MILLION TONS. THE CCI ESTIMATES TOTAL 1976 EC GRAIN PRODUCTION AT 92.2 MILLION TONS, ABOUT 5 PERCENT LESS THAN 1975 PRODUCTION AND VERY CLOSE TO THE RECENT FAS ESTIMATE OF 93 MILLION TONS (FG 15-76 OF 7/26/76). THE COMMISSION'S GRAIN DIVISION DOES NOT MAKE AN ESTIMATE OF THE TOTAL GRAIN GROUP--PRIMARILY BECAUSE THEY DO NOT RECEIVE MEMBER STATE INFORMATION ON THE OAT CROP. COMMISSION OFFICIALS SAY, LIMITED OFFICIAL USE

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HOWEVER, THAT THEY REGARD THE FAS ESTIMATE AS REALISTIC. THE DROUGHT GROUP NOTES THAT, IN VIEW OF THE EXPECTED INCREASE IN LIVESTOCK FEEDING (6 PERCENT FOR PORK, 8 PERCENT FOR POULTRY AND A PROBABLE BUT UNSPECIFIED INCREASE IN CATTLE FEEDING), IMPORTS OF FEED GRAINS MAY BE CONSIDERABLY HIGHER THAN THE COMMISSION AND MEMBER STATES' ESTIMATES DISCUSSED ABOVE. THE CCI ESTIMATES THAT THE INCREASE IN IMPORTS OF FEED GRAINS WILL BE AT LEAST 5 MILLION TONS.

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5. THE DROUGHT GROUP ALSO MAKES THE FOLLOWING ESTIMATES ON
OTHER CROP AND LIVESTOCK PRODUCTS:

A. OILSEEDS. RAPESEED PRODUCTION IS EXPECTED TO BE ABOUT
THE SAME AS LAST YEAR (900,000 TONS). FLAX PRODUCTION IS
EXPECTED TO BE ONLY SLIGHTLY LESS THAN LAST YEAR DESPITE A
SUBSTANTIAL DECREASE IN DUTCH PRODUCTION.

B. SUGAR. THE COMMISSION'S ESTIMATE OF SUGAR PRODUCTION
REMAINS AT 9.5 MILLION TONS. THE CCI ESTIMATES PRODUCTION OF
BEET SUGAR AT 9.3 MILLION TONS AND TOTAL EC PRODUCTION (INCLUDING
PRODUCTION OF CANE SUGAR IN THE FRENCH OVERSEAS TERRITORIES) AT
9.7 MILLION TONS.

C. POTATOES. THE CCI ESTIMATES COMMUNITY PRODUCTION AT ONLY
30 MILLION TONS--DOWN 10 PERCENT FROM 1975. HOWEVER, THE
DROUGHT GROUP FEELS THAT IN VIEW OF THE INCREASE IN AREA PLANTED
TO POTATOES IN 1976, THIS ESTIMATE IS TOO PESSIMISTIC. THEY
FEEL THAT 1976 PRODUCTION WILL BE AT LEAST AS HIGH AS LAST
YEAR (33.5 MILLION TONS).

D. FRUITS AND VEGETABLES. THE DROUGHT IS SAID TO HAVE HAD
LITTLE OVERALL EFFECT ON FRUIT PRODUCTION, ALTHOUGH PEACH
PRODUCTION, PARTICULARLY IN THE SOUTH OF FRANCE AND CENTRAL
ITALY, MAY SUFFER. AS FOR VEGETABLES, THE DROUGHT IS SAID TO HAVE
HAD AN "IRREPARABLE" EFFECT ON PRODUCTION OF GREEN BEANS AND, TO
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A LESSER EXTENT, CARROTS. FOR OTHER VEGETABLES, WHILE THERE HAS

BEEN A GAP IN SUPPLIES IN THE MONTHS OF JUNE AND JULY, PRODUCTION IS EXPECTED TO REGAIN NORMAL LEVELS IN THE NEAR FUTURE. HOWEVER, BECAUSE OF THE "PSYCHOLOGICAL EFFECT OF THE DROUGHT" PRICES MAY REMAIN AT ABNORMALLY HIGH LEVELS. THE QUANTITY AND QUALITY OF THIS YEAR'S WINE PRODUCTION IS EXPECTED TO BE GOOD.

E. MILK AND BEEF. 1976 MILK DELIVERIES ARE NOW ESTIMATED AT 1.7 PERCENT ABOVE 1975. QUARTERLY CHANGES ARE ESTIMATED AS FOLLOWS (AS COMPARED WITH THE PREVIOUS QUARTER IN 1975): FIRST QUARTER, PLUS 6.9 PERCENT; SECOND QUARTER, PLUS 4.9 PERCENT; THIRD QUARTER, MINUS 3.6 PERCENT; FOURTH QUARTER 1.8 PERCENT. COMMISSION OFFICIALS SAY THAT THIS REDUCTION IN DELIVERIES WILL MEAN A REDUCTION OF 50-100,000 TONS IN BUTTER PRODUCTION AND 100-200,000 TONS IN NFDM PRODUCTION AS COMPARED WITH THE PRODUCTION LEVELS THAT WOULD HAVE OCCURRED WITH NORMAL WEATHER. DELIVERIES IN THE FIRST QUARTER OF 1977 ARE ESTIMATED, ON A VERY PRELIMINARY BASIS, TO BE 2.2 PERCENT BELOW THE FIRST QUARTER OF 1976. NO ESTIMATE IS MADE OF BEEF PRODUCTION IN 1976. THE DROUGHT GROUP NOTES ONLY THAT SINCE THE IMPLEMENTATION OF SPECIAL MEASURES IN THIS SECTOR, THE PRICE HAS INCREASED BY ABOUT 4 PERCENT. HINTON

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